



Connecticut Business & Industry Association

**TESTIMONY
BONNIE STEWART
CONNECTICUT BUSINESS & INDUSTRY ASSOCIATION
BEFORE THE
PLANNING & DEVELOPMENT COMMITTEE
WEDNESDAY, FEBRUARY 19, 2009**

Good afternoon. My name is Bonnie Stewart. I am vice president for the Connecticut Business and Industry Association (CBIA). CBIA represents over 10,000 companies in the state ranging from large industrial corporations to small businesses with one or two employees. The vast majority of our members, about 90 percent, are employers with fewer than 50 employees.

I am here today to comment on a number of proposals. They include:

- SB-369 AAC A Homestead Exemption For Real Property Taxes.
- SB-376 AA Authorizing Differentiated Mill Rates In Municipalities.
- SB-379 AAC Land Value Taxation.
- SB-385 AAC Municipal Alternatives To The Property Tax.
- SB-392, AA Authorizing Municipalities To Adopt Land Value Taxation.
- SB-393, AAC Municipal Revenue Diversification.
- SB-397, AAC Municipal Revenue Diversification.
- HB-5540, AAC Municipal Revenue Diversification.
- HB-5542, AA Authorizing Towns To Levy Certain Taxes.
- HB-5553, AAC Appeals To The Local Board Of Assessment Appeals.
- HB-5868, AAC Economic Development Teams (Support)
- HB-6041, AAC Hearings In Certain Assessment Appeals
- HB-6042, AA Authorizing The Voluntary Merger Of Adjacent Towns

These measures cover a wide range of issues. I have grouped them into five categories: homestead exemption; local option taxes; land value taxation; assessment appeal hearings; and economic development opportunity and regional efficiency.

Homestead Exemption

CBIA strongly opposes SB-369, AAC A Homestead Exemption For Real Property Taxes, which establishes a homestead exemption that would result in substantial local tax increases on Connecticut businesses.

When considering property tax changes, it's extremely important that the business community's entire property tax burden be viewed, because property taxes are paid not only on buildings, real estate, and motor vehicles, but also on furniture, fixtures, computers, and machinery and equipment. Please keep in mind that the total potential property tax liability may be a determinant factor in business decisions regarding location, expansion or relocation.

The passage of SB-369 would result in such a significant tax increase on employers' investments in commercial and industrial real estate as well as personal property that it would reverse the recent efforts to improve the state's economic climate. This is particularly true in urban areas where capital investments are most needed to create jobs and expand the community's tax base.

Under the bill, owner-occupied residential units would be eligible for an exemption off of the assessed value of their residential property. Since commercial property and industrial property owners would not be eligible for the exemption, their taxes would increase. In addition, taxes on employers' personal property would increase, including those on production machinery and equipment.

The fundamental problem with funding residential property tax relief at the municipal level is that it increases the local tax burden on other property owners, which may not be in any better position to absorb such tax increases. Passage of the proposed legislation would reverse recent attempts by the legislature to encourage employers to commit new investment to state plants and businesses,

expand our industrial base and create new job opportunities for Connecticut's citizens.

We urge you to **reject SB-369**.

Testimony of Bonnie Stewart, CBIA SB-376, 379, 392, 393, 397, and HB-5540, 5542

that would be better off developed. But is this the only, or best, way to accomplish that goal?

We believe it would be better policy for the legislature to make it easier and more cost-effective to clean up contaminated property. In addition, we could likely have a situation where an innocent landowner of contaminated property is unable to develop the land due to the cost of cleanup, but would then be hit with a higher tax. That should not be the policy of the state of Connecticut.

We have suggested in testimony in the past that if the legislature wants to seriously consider this proposal; it should first conduct a comprehensive study of the pros and cons of this particular tax system to determine if it is right for Connecticut. We have asked for but not received any real evidence that this is a positive policy move for the state. A thorough analysis should precede any consideration of this proposal.

We respectfully ask the committee to **reject** the bills, or components of bills, that would permit imposition of a land value tax, including: **SB-379, SB-392, SB-393, SB-397, HB-5540, and HB-5542.**

Differentiated Mill Rates

CBIA **opposes SB-376**, AA Authorizing Differentiated Mill Rates. This measure is intended to permit municipalities to tax "blighted, depleted or underutilized" commercial property differently than other property. Our concern with this measure is not the desire of municipalities to increase utilization of these facilities, nor their desire to improve commercial areas; our concern is the ambiguity of the measure, the lack of flexibility surrounding a property owner's ability to occupy or modernize facilities, and similar justifiable concerns.

While we understand the desire for all properties to be their best, we ask, is this the only, or best, way to accomplish that goal? We think not, especially in today's economy where many employers are struggling to survive and maintain their employees. Their choices are limited. The cost of cleanup is substantial and beyond the resources of many people. The cost of rehabilitating and modernizing facilities is also great, and prohibitive in the current credit drought.

We believe it would be better policy for the legislature to make it easier and more cost-effective to clean up contaminated property. In addition, we could likely have a situation where an innocent landowner of contaminated property is unable to develop the land due to the cost of cleanup, but would then be hit with a higher tax. That should not be the policy of the state of Connecticut.

Please **reject SB-376**.

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Differentiated Mill Rates - Land Value Taxation

Before the Committee today are a number of measures that concern, in whole or in part, land value taxation. These include:

- SB-379, AAC Land Value Taxation
- SB-392, AA Authorizing Municipalities To Adopt Land Value Taxation
- SB-393, AAC Municipal Revenue Diversification
- SB-397, AAC Municipal Revenue Diversification
- HB-5540, AAC Municipal Revenue Diversification
- HB-5542, AA Authorizing Towns To Levy Certain Taxes

CBIA has expressed reservations about the land value taxation proposal many times over the years. Historically, we have opposed various classification schemes that would have allowed municipalities to tax different classes of properties at different rates. Our concerns have been based on the fact that once classification is in place; it may be politically expedient for local officials to increase taxes on one group of property owners as a way to appease another class of property owners. Because we represent manufacturers and other businesses that rely on personal property to run their operations, we are concerned about any initiative that may increase the tax on their equipment.

Although, on its face, this proposal would not do that, it may well lead to that result.

We have heard anecdotally from proponents that land value taxation has worked in Pennsylvania. But we have also heard anecdotally that some Pennsylvania municipalities that initially adopted the system ultimately moved away from it. What we have not heard is any compelling evidence that it is either needed in Connecticut or that it would work here. Certainly there are vacant properties in some urban communities

Local Option Taxes

Another group of bills before the Committee today concern municipal revenue options.

These measures include:

- HB-5540, AAC Municipal Revenue Diversification.
- HB-5542, AA Authorizing Towns To Levy Certain Taxes.

All of these measures include a land value tax option, which I have addressed in the next section of my testimony. Here, I would like to raise some concerns CBIA has with other aspects of these local option tax proposals.

We strongly encourage you to conduct a thorough analysis of the impact on municipalities, their residents and businesses, should sales and/or income taxes be imposed at the local level. We are concerned that local option revenues are not the panacea that some hope them to be.

We have several reasons for our concerns. First, we are concerned that the imposition some of these taxes on a town-by-town basis might have a negative effect on the state's smart growth efforts. This is in large part due to the fact that local option taxes are most often requested by the state's larger municipalities.

Second, the measure may result in some towns having to reduce private-sector services.. This would happen when retailers, restaurants and local car repair shops realize it would be less expensive for their clients and themselves to locate in a neighboring community without local option taxes.

Third, implementation of new taxes would drive up municipal costs as they currently do not have the infrastructure to administer local sales tax or income tax initiatives. One of the busiest groups at the Department of Revenue Services is the employees that work on sales and use tax matters.

Ultimately, we believe that the state should continue to encourage municipalities to control spending and the General Assembly should look at review all municipal revenue options, as is being done with the state, in the larger picture . Many municipalities have begun to address some of their budget issues by looking at the bigger picture. They have been effective in reducing municipal health care costs and have implemented a number of regional initiatives, making their towns more efficient and effective. When discussing revenues, we urge that you consider the big picture as well and understand the effect various measures will have on the state and its towns.

Assessment Appeal Hearings

There are two measures before the Committee today that impact the rights of certain property tax owners. They are:

- HB-5553, AAC Appeals To The Local Board Of Assessment Appeals (Oppose)
- HB-6041, AAC Hearings In Certain Assessment Appeals (Support).

CBIA **opposes** the first bill, **HB-5553**, as it seeks to reduce the rights of certain property owners by reducing the opportunity for certain property owners to have hearings on their assessment appeals. This measure would raise the worth of assessed property an assessment appeal hearing on commercial, industrial, utility or apartment property for which an assessment board may elect not to hold a hearing.

We oppose reducing these property owners' rights and urge you to reject HB-5553 and instead **support HB-6041**, which would reduce worth of assessed property necessary to be eligible for such a hearing. This would permit smaller employers to have the same rights as some of the larger employers in the state.

Please **reject HB-5553** and **adopt HB-6041**.

Economic Development Opportunities/Regional Efficiency

CBIA **supports** HB-5868, AAC Economic Development Teams. This measure attempts to improve the economic development efforts by better coordinating and partnering municipal and state efforts. It also seeks to approve economic development projects as quickly as possible. The goals of these bills are excellent. Achieving those goals will benefit Connecticut greatly.

A couple of years ago I had the opportunity to meet with site locators. They repeatedly said that one key to attracting business was the need for state and local development officials to work together and provide results in a timely manner. This measure is a no-cost step in the right direction and I urge its adoption.

Please **support** **HB-5868**.

CBIA **supports** HB-6042, AA Authorizing The Voluntary Merger Of Adjacent Towns. This measure seeks to increase efficiency by permitting local governments to merge on a voluntary basis. At a time when efficiency and effectiveness is consistently being urged, this measure makes perfect sense.

Please **support** **HB-6042**.

Thank you for the opportunity to present testimony on all of the above-mentioned measures.